



**Director of  
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Intelligence**

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ISRAEL-LEBANON: Sporadic Clashes

(Information available as of 2300 EDT)

*Military activity in Lebanon continues to be limited.*

[redacted] the Israeli Ministry of Defense reports minor firefights are occurring in southern Lebanon, where small groups of Palestinian guerrillas remain behind Israeli lines. The Israelis believe there are still numerous arms caches that these isolated guerrilla groups can use. [redacted]

Sporadic clashes between Phalange units and Druze militia have occurred near Bhamdun and Alayh and east of Ad Damur in the past few days. Druze leader Walid Junblat, who also heads the leftist National Movement, yesterday called on his followers to drive out the Phalange. [redacted]

Comment: The Phalange have been occupying a number of villages in areas under Israeli occupation in hopes of improving their military and political position. They apparently are concerned that the Druze, who did not resist the invasion, retain substantial amounts of arms and could pose a threat to eventual Phalange control of Lebanon. [redacted]

The Druze fear the Phalange--with Israeli assistance--are bent on controlling all of Lebanon. This fear will make it difficult to establish a strong, multiconfessional central government. [redacted]

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Israeli Comments on Multinational Force

A senior Israeli source told the *Jerusalem Post* on Wednesday that Israel may drop its demand for a multinational force to police a 40- to 45-kilometer security zone in southern Lebanon. The comments follow the cabinet communique on Sunday outlining the government's demands for a political settlement in Lebanon, which made no mention of the multinational force.

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Comment: The Israelis have been increasing their support to villagers in the south through their traditional ally, Christian leader Major Haddad. They may believe Haddad's forces, coupled with a strong Phalange government, could provide the security they need without getting into the protracted political negotiations that a multinational force would involve.

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Continued Israeli Air Activity

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Comment: The Israelis are flying frequently over Lebanon to monitor the activities of Syrian and Palestinian forces. The status of missile units inside Lebanon is of particular concern to the Israelis, who would move to destroy any new Syrian surface-to-air missile deployment there.

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JAPAN: New Defense Plan Emerging

The Finance Ministry has cut \$3 billion from the \$23 billion military equipment budget requested by the Defense Agency for 1983-87, according to press reports. By underfunding logistic support, officials have succeeded in keeping defense spending for 1983-87 under the limit of 1 percent of GNP still favored by Prime Minister Suzuki. A Japanese newspaper concludes, however, this depends on an unrealistically high projection for GNP. The defense plan will be presented to Suzuki this month.

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Comment: A reduced budget would prevent Japan from reaching the force levels Suzuki has said would be attained by 1987. The Prime Minister is sympathetic to the Finance Ministry's desire to hold down government spending, but defense activists in the ruling party could still persuade him to endorse a more ambitious defense plan. The estimated US response to the plan will weigh heavily in Suzuki's calculations. He decided in late 1981 to spend more on defense than recommended by the Finance Ministry because of concern about Washington's reaction.

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USSR: Restricting Telephone Links

//The USSR, for alleged "technical" reasons, reportedly plans as of today to cut by half the number of its direct commercial satellite telecommunications circuits with the US. West European officials have already been informed of similar reductions that will affect their countries.//

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Comment: //The unprecedented cutbacks mean that a significant percentage of international calls to and from the USSR will require operator assistance. The move will result in only modest foreign exchange savings. It probably is designed to improve monitoring and control over telephone contact between Soviet citizens and foreigners, including emigres.//

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FRANCE: Cabinet Changes

Prime Minister Mauroy has indicated that the resignations on Tuesday of Industry Minister Dreyfus and Social Security and National Solidarity Minister Questiaux foreshadow a larger cabinet shakeup later this year. The Industry portfolio falls to Research and Technology Minister Chevenement. Questiaux, who is unhappy with President Mitterrand's recent moves to curb the growth of welfare expenditures, will be replaced by Elysee Chief of Staff Beregovoy. Beregovoy will assume a supervisory role over Labor Minister Auroux, while newly appointed Employment Minister Le Garrec will report directly to Mauroy.

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Comment: //The changes in personnel and responsibilities reflect Mitterrand's renewed emphasis on stimulating employment, particularly in nationalized industries. In the coming shakeup Mauroy and key moderates on economic policy, including Economic Minister Delors, probably will retain their posts, as will the four Communist ministers. Foreign Minister Cheysson, whose blunt style often has embarrassed Mitterrand, is vulnerable.//

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WEST GERMANY: Agreement on Budget

//Chancellor Schmidt's Social Democratic - Free Democratic coalition government yesterday reached a cabinet-level agreement on a budget for 1983. The agreement has been submitted for approval to the Bundestag delegations of both parties. Should either reject the compromise, the cabinet--which meets again today--will make another effort to resolve differences.//

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Comment: //The agreement probably will avert an immediate crisis for the government, but the coalition is not out of danger. If substantial Social Democratic opposition to the compromise emerges, Free Democratic Party leader Genscher, who probably still is undecided about whether to leave the government, may use this as an excuse to end the coalition.//

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YUGOSLAVIA: Results of Party Congress

Delegates at the 12th Congress of the Yugoslav Communist Party, which ended this week, criticized the leadership's record and took steps to make it more accountable for government policy. The congress adopted the government commission's report that mandates continued efforts to lower the high inflation rate and reduce the balance-of-payments deficit. Despite his poor health, Vladimir Bakaric, Yugoslavia's elder statesman and the last of Tito's former confidants, became the only party member to hold positions in both the state presidency and the party Presidium.

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Comment: Widespread dissatisfaction among party members with the inept handling of the economy is behind the delegates' demand for more influence in future decisions. With the party giving strong support to the economic stabilization measures, the new government will push ahead with its potentially unpopular austerity program. The durability of the new party consensus will soon be tested as specific new economic measures begin to hit home.

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GREECE: Impending Cabinet Shakeup

On Tuesday the government introduced legislation that restructures the cabinet and formalizes the operation of three ministerial councils to deal with foreign policy and defense, the economy, and prices and income policy. A major cabinet shakeup is expected to follow in the next few days after the bill is passed. Prime Minister Papandreou reportedly has been disappointed with the performance of a number of his ministers, especially those dealing with the economy. Last weekend Finance Minister Drettakis resigned after Papandreou loosened the regulations of a recently passed--but unpopular--property tax law. [ ]

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Comment: The bill is an attempt to rationalize Greece's cumbersome bureaucracy and affords Papandreou the opportunity to effect major cabinet changes without creating unnecessary friction within his government. Opinion polls indicate a majority continues to approve of Papandreou's performance, but the sluggish economy is beginning to affect the average Greek. The Prime Minister probably believes he has to revitalize his team before the nationwide municipal elections in October. [ ]

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EAST GERMANY: Successful Peace Workshop

Organizers of the peace workshop at a Lutheran Church in East Berlin on Sunday reportedly are euphoric about having attracted almost 4,000 participants. They are already planning more activities for this fall. The authorities turned back at the border some West Germans who had planned to attend and monitored events. Church leaders helped keep events under control by holding down publicity, prohibiting the use of microphones, and forbidding any criticism of Warsaw Pact military policies. [ ]

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Comment: The regime will be disturbed by some of the participants' criticism of the growing militarization of society, the Berlin Wall, careerism in the party, and indifference to environmental problems. These complaints suggest the youth-dominated peace movement could become more concerned with domestic issues rather than the East-West arms race. [ ]

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